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Public Reporting Burden. Public reporting burden for this collection of information is estimated to average .49 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Chief, Registration Unit, Criminal Division, U.S. Department of Justice, Washington, D.C. 20530; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

*Furnish this exhibit for EACH foreign principal listed in an initial statement
and for EACH additional foreign principal acquired subsequently.*

1. Name and address of registrant	Mark B. Dunkerley British Airways Plc. 1850 K Street, N.W. Washington, DC 20006	2. Registration No. 4423
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3. Name of foreign principal British Airways Plc.	4. Principal address of foreign principal 75-20 Astoria Boulevard Jackson Heights, N.Y. 11370
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5. Indicate whether your foreign principal is one of the following type:

☐ Foreign government

☐ Foreign political party

☒ Foreign or ☐ domestic organization: If either, check one of the following:

☐ Partnership

☐ Committee

☒ Corporation

☐ Voluntary group

☐ Association

☐ Other (specify) _____

☐ Individual—State his nationality _____

6. If the foreign principal is a foreign government, state:

a) Branch or agency represented by the registrant. N/A

b) Name and title of official with whom registrant deals. N/A

7. If the foreign principal is a foreign political party, state:

a) Principal address N/A

b) Name and title of official with whom registrant deals.

c) Principal aim N/A

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8. If the foreign principal is not a foreign government or a foreign political party,

a) State the nature of the business or activity of this foreign principal

British Airways Plc. is the world's largest international scheduled airline. Its main activity is the operation of international and domestic scheduled passenger airline services. British Airways Plc. operates charter air services, principally through its wholly-owned subsidiary, Caledonian Airways. British Airways Plc. also operates a world-wide air cargo business in conjunction with its scheduled services.

b) Is this foreign principal

Owned by a foreign government, foreign political party, or other foreign principal Yes ☐ No ☒

Directed by a foreign government, foreign political party, or other foreign principal Yes ☐ No ☒

Controlled by a foreign government, foreign political party, or other foreign principal Yes ☐ No ☒

Financed by a foreign government, foreign political party, or other foreign principal Yes ☐ No ☒

Subsidized in whole by a foreign government, foreign political party, or other foreign principal Yes ☐ No ☒

Subsidized in part by a foreign government, foreign political party, or other foreign principal Yes ☐ No ☒

9. Explain fully all items answered "Yes" in Item 8(b). (If additional space is needed, a full insert page may be used.)

N/A

10. If the foreign principal is an organization and is not owned or controlled by a foreign government, foreign political party or other foreign principal, state who owns and controls it.

British Airways Plc. is a public limited company of England and Wales, which is owned and controlled by its stockholders. To the best of our information and belief, no single stockholder has more than a ten percent interest in British Airways Plc. other than Morgan Guaranty Trust Company of New York as nominee on behalf of ADS holders.

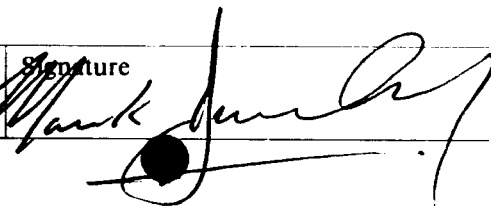
Date of Exhibit A

October 2, 1990

Name and Title

Mark B. Dunkerley
Manager of Government &
Commercial Affairs, N.A.

Signature



INSTRUCTIONS: A registrant must furnish as an Exhibit B copies of each written agreement and the terms and conditions of each oral agreement with his foreign principal, including all modifications of such agreements; or, where no contract exists, a full statement of all the circumstances by reason of which the registrant is acting as an agent of a foreign principal. This form shall be filed in triplicate for each foreign principal named in the registration statement and must be signed by or on behalf of the registrant.

Privacy Act Statement. Every registration statement, short form registration statement, supplemental statement, exhibit, amendment, dissemination report, copy of political propaganda or other document or information filed with the Attorney General under this act is a public record open to public examination, inspection and copying during the posted business hours of the Registration Unit in Washington, D.C. One copy is automatically provided to the Secretary of State pursuant to Section 6(b) of the Act, and copies of such documents are routinely made available to other agencies, departments and Congress pursuant to Section 6(c) of the Act. Finally, the Attorney General transmits an annual report to the Congress on the Administration of the Act which lists the names of all agents and the nature, sources and content of the political propaganda disseminated or distributed by them. This report is available to the public.

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Name of Registrant

Mark B. Dunkerley

Name of Foreign Principal

British Airways Plc.

Check Appropriate Boxes:

1. ☐ The agreement between the registrant and the above-named foreign principal is a formal written contract. If this box is checked, attach three copies of the contract to this exhibit.
2. ☒ There is no formal written contract between the registrant and foreign principal. The agreement with the above-named foreign principal has resulted from an exchange of correspondence. If this box is checked, attach three copies of all pertinent correspondence, including a copy of any initial proposal which has been adopted by reference in such correspondence.
3. ☐ The agreement or understanding between the registrant and the foreign principal is the result of neither a formal written contract nor an exchange of correspondence between the parties. If this box is checked, give a complete description below of the terms and conditions of the oral agreement or understanding, its duration, the fees and the expenses, if any, to be received.

4. Describe fully the nature and method of performance of the above indicated agreement or understanding.

Registrant will serve as the full-time Manager of Government & Commercial Affairs for the foreign principal as described in the correspondence attached in response to question 3.

5. Describe fully the activities the registrant engages in or proposes to engage in on behalf of the above foreign principal.

The registrant will obtain information for the foreign principal relating to United States aviation/transportation policy matters and activities, including such related matters as customs, immigration, taxation, and foreign investment issues, through the acquisition of publicly available documents and discussions with legislative and executive branch officials and staff, and will express the foreign principal's views on such matters to those officials and staff members.

6. Will the activities on behalf of the above foreign principal include political activities as defined in Section 1(o) of the Act?¹
Yes ☒ No ☐

If yes, describe all such political activities indicating, among other things, the relations, interests or policies to be influenced together with the means to be employed to achieve this purpose.

The registrant will express the foreign principal's views on matters of United States aviation/transportation policy, including such related matters as customs, immigration, taxation and foreign investment issues to legislative and executive branch officials and staff with jurisdiction over such matters. These activities may include the presentation of testimony before Congressional committees and formal participation in regulatory or other proceedings before executive branch departments or agencies.

Date of Exhibit B

October 2, 1990

Name and Title
Mark B. Dunkerley
Manager of Government &
Commercial Affairs, N.A.

Signature

¹Political activity as defined in Section 1(o) of the Act means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

BRITISH AIRWAYS

75-20 Astoria Boulevard
Jackson Heights, NY 11370
(718) 397-4702

July 14, 1989

Mr. Mark Dunkerley
620 Plover Avenue
Miami, Florida 33166

Dear Mark,

Further to your conversation with Roger Maynard, I am pleased to welcome you to British Airways and confirm your appointment to the position of Government & Commercial Affairs Manager based in Washington, D.C. Your annual salary will be \$50,000 and your commencement date will be finalized at a later date.

The following provides a description of the method British Airways uses to determine management salaries and outlines the benefits applicable to your position.

Method of Job Evaluation

British Airways uses the HAY method of evaluation to assist in the determination of salaries and benefits. The HAY organization uses this process in many major companies around the world, and have a well-developed data base to support their recommendations. HAY has each position assessed against criteria and each year HAY will provide me with a formula which will translate into dollar values.

Every position has its own range, i.e. a minimum and maximum, and a mid-point which reflects the market value of the job, as determined by HAY. As jobs change significantly, they can be re-assessed against the HAY criteria, and a new range established. Your position has been assessed as having a range of \$46,000 to \$69,000. All management positions are classified as Scale M.

INTERNAL SECURITY
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Continued

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British Airways Plc.
Registered office:
Speedbird House,
Heathrow Airport (London)
Hounslow TW6 2JA,
Registered in England No. 1777777.

July 13, 1989

In future years the HAY data base will assist the company in determining whether or not there should be any increase to basic salary ranges and the degree to which this will be necessary. The range provides a means of compensating staff who are high performers and have room for growth, staff who are moving to a new range or joining the M scales. It should be noted that salaries will not automatically increase until they reach the top of the maximum. The salary ranges will increase only when the market has moved sufficiently for BA to believe adjustment is appropriate. The performance reward and bonus system, as developed by the company, remains separate from the HAY method of determining market ranges.

A review of our current salaries indicates, that British Airways is highly competitive and extremely well placed against the marketplace. We have been compared to the airline industry data base as well as large billion dollar companies.

Salary - Salaries are paid monthly in arrears. A review of your salary will take place in 6 months, and a determination made on the basis of performance. British Airways management reviews take place in July 1990.

With regard to Benefits, in addition to the standard British Airways package, you will also receive the following.

Life Insurance

A separate policy has been taken out with US Life to the value of half of your current salary. This is in addition to the two policies, one for \$50,000, and the other to the value of a year's salary to a maximum of \$80,000, which currently exist with Aetna. This second policy takes effect after one year's service.

Staff Travel

You are entitled to the basic staff travel concessional package after one year's service. You will have the facility of one 100% Firm occasion in this current travel year 89/90, and in subsequent years, in addition to any long service concessions you may accumulate. An occasion is you and your eligible family members travelling to the same destination for the purposes of a vacation. British Airways reserves the right to alter these arrangements as the company staff travel regulations change.

You are entitled to travel first class on duty, in accordance with Staff Travel regulations, with a Duty Travel Priority code of 10/F15.

Medical and Dental Coverage

You will be entitled to medical and dental coverage on first day of employment. Medical coverage is provided free by the company, and there is a small charge of \$7.00 per employee per month for the dental plan should you choose to pick up this option.

July 13, 1989

Sick Leave provisions

Sick leave provisions will be continuously available for 180 days, at basic pay minus State Disability, after which the terms of the Long Term Disability policy will apply.

Vacation

First Year	10 days
Second Year	15 days
Third Year	20 days
Thereafter	20 days each year
15-24 Years	25 Days
25-30 Years	30 Days
30 Years and beyond	35 Days

Any vacation beyond 25 Days may only be taken at the discretion of the Department Head, and any such unapproved vacation may be reimbursed through the payroll at basic rate.

Pension Plan USA

You will be eligible to join the Company pension scheme, which is non-contributory after one year's service. You will also be eligible to join the Employee 401(k) Plan after six months' service. There will be no employer funding of the Plan other than administration costs.

Notice - Three months on either side.

Company Vehicle - There is no provision for a company vehicle.

Any questions regarding management benefit packages should be directed to me.

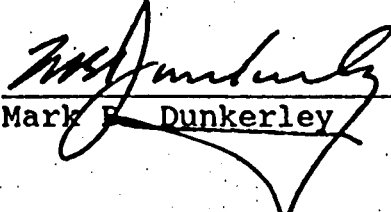
Finally, I would be grateful if you could signify your acceptance of this offer by returning the second copy of this letter.

Sincerely,


Sheila Thompson
Head of Human Resources NA

cc: Roger Maynard

I accept the offer of employment with British Airways at the above terms.


Mark B. Dunkerley

DATE:

7/28/89

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON D.C.

DEPARTMENT OF TRANSPORTATION
1989 NOV 20 PM 4:
DOCKET SECTION

Advance Notice of Proposed Rulemaking

Computer Reservations Systems (CRSs)
Regulations

Docket 46494

14 C.F.R. Part 255 Notice No. 89-18

COMMENTS OF BRITISH AIRWAYS

Communications with respect to this document should be
addressed to:

Mark Dunkerley
Manager, Commercial and Government Affairs
British Airways
1850 "K" Street, N.W.
Suite 300
Washington D.C. 20006
(202) 331-9068

Dated: November 20, 1989

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON D.C.

Advance Notice of Proposed Rulemaking)

Computer Reservations Systems (CRSs))
Regulations)

Docket 46494

14 C.F.R. Part 255 Notice No. 89-18)

COMMENTS OF BRITISH AIRWAYS

Introduction

British Airways believes that the current U.S. Computer Reservations System (CRS) Rules (14 C.F.R. 255) should be continued and enhanced. The CRS Rules presently under review were promulgated for the purpose of preventing discriminatory and anti-competitive practices in the provision of CRS services. Five years later on, a few discriminatory and anti-competitive practices remain. As a result, British Airways believes that in addition to continuing the existing CRS Rules, the Department of Transportation should seize this opportunity to promulgate needed enhancements. These enhancements should be aimed at completing the process of ensuring that CRSs are not used by airlines as a tool of market domination and of ensuring that in application, CRSs do not

mislead the consumer. The comments of British Airways address the areas in which the existing CRS Rules should be enhanced.

British Airways believes that the use of On-line Preference Algorithms by Computer Reservations Systems in the United States results in discriminatory treatment favouring large U.S. carriers to the detriment of small U.S. carriers and foreign carriers operating to the United States. Further, as a practical matter, such algorithms significantly diminish the motivation for airlines to publicize information important to a consumer in selecting between competing air services, thereby reducing the amount of consumer information and the level of competition. Consequently, British Airways believes that the Department of Transportation should avail itself of this opportunity to modify the CRS rules in such a way as to prohibit the use of On-line Preference Algorithms in CRSs.

British Airways also considers the present CRS Rules insufficient to prevent the deceptive practice of displaying a connection as a direct flight simply through the device of assigning the connection a single "through" flight number. Consequently, British Airways asks the Department of Transportation to modify the existing CRS Rules to prohibit any schedule involving a change of aircraft being listed as a direct flight.

Lastly, British Airways suggests that the Department revise the Rules to make it an obligation of any host carrier to provide

participating carriers on an non-discriminatory basis, all CRS data and any CRS enhancements available to the host carrier. With these enhancements to the existing CRS Rules, many of the more draconian solutions to the widely perceived problems associated with the operation of CRSs in the United States, would in all probability become moot.

On-line Preference Algorithms

On-line Preference Algorithms give connections involving the same carrier (on-line) display priority over connections involving more than one carrier (inter-line). In doing so, they translate a wide variety of subjective factors of interest to a consumer in making the on-line vs. inter-line choice, into an arbitrary, average, constant, "objective" index. Under this index, inter-line connections are penalized by adding up to two hours to the elapsed time of the inter-line schedule. In any one CRS using an On-line Preference Algorithm, this penalty is the same for all passengers, making connections at all airports and on any schedule.

While we would concur with the generalisation (which is often used to defend On-line Preference Algorithms), that consumers prefer to remain on one carrier when making a connection, we do not agree that all consumers attach the same "penalty" to inter-line connections in all circumstances. On-line Preference Algorithms blithely assume that a frequent traveler is no more familiar with the inter-line connection process than

a first time traveler. They assume that it takes no more and no less time, energy and inconvenience to connect between terminals at a busy airport than it does to walk twenty feet to make an inter-line connection at a much smaller airport. A businessman who can save time by making an inter-line connection is assumed to be no less willing to change airlines than are those in charge of a large group of traveling school children.

Of particular interest to British Airways, On-line Preference Algorithms assume that the domestic and international marketplaces exhibit exactly the same consumer characteristics. While it can be argued that in domestic air transportation, an airline has the capacity to provide "seamless" connecting service, the requirement to clear federal inspection formalities at connecting points on international city pairs, prevents a carrier from being able to come close to providing such seamless service. Particularly at the majority of gateways where international arrivals are handled at a common use facility, it is hard to see how a single carrier can provide connecting service that is significantly more convenient to the passenger than an inter-line connection. There exists no basis for warranting superior display positions for on-line connections.

Under an On-line Preference Algorithm, CRSs essentially ignore subjective criteria which determine how individual travelers rank specific routings, and arbitrarily assume that all

travelers prefer on-line connections even in circumstances where an inter-line connection would save time and otherwise be more convenient. As a result, products (schedules) which may meet the requirements of a particular group of consumers are systematically left in the stock room (many screens back) and are shown only in the event that the consumer has the fortitude to insist that there must be other products stocked which are not on display in the store (first few screens). The majority of tickets are sold from the first screen indicating that few consumers have the time or thechutzpah to send the store employee back into the stock room. Given the arbitrary lumping of subjective criteria in "objective" measures and the demonstrated significant propensity for reservations to be made from the first few screens of a CRS display, the modern day air traveler is being told that he can have any air service product he likes "so long as it is black".

Outlawing the use of On-line Preference Algorithms is a better solution than permitting unlimited foreign airline codesharing since the former attacks the core problem -- the summation of subjective factors into an arbitrary objective index -- while the latter merely allows everyone to use the same manipulative system.

Consumer Information

Our objection to rolling a string of subjective criteria into an objective index should not be taken to mean that British

Airways believes that important consumer information be withheld from the traveler. Indeed, the opposite is true -- our objection to On-line Preference Algorithms is in no small part a result of our belief that such algorithms reduce the motivation for airlines to provide the information consumers need to make an educated choice between products. When the CRS algorithm automatically gives preference to on-line connections, why should an air carrier spend resources educating the consumer on the benefits of remaining on one carrier? Conversely, given the preference automatically afforded to on-line connections, it is virtually useless for a smaller carrier to advertise potentially superior inter-line service in which it participates.

Any practice which leads to the suppression of consumer information is anti-competitive. Basic economic theory shows that information is an important determinant of the level of competition in an industry. Other things being equal, the greater the amount of useful information available to the consumer when making a choice between different products, the greater the degree of competition. There should be no doubt, therefore, that by mitigating the need for airlines to provide consumers with information regarding the attributes of their products, On-line Preference Algorithms contribute to a lessening of competition in air transportation.

Promoting the convenience of staying on-line is a product facet of the same ilk as the width of seat, the speed of check-in,

and the excellence of the in-flight service. The onus for providing the information on which consumers will make the choice between staying on-line and making an inter-line connection, should rest with the air carrier in the form of advertising.

Discrimination

Quite apart from the consumer inefficiencies associated with On-line Preference Algorithms and their anti-competitive ramifications, On-line Preference Algorithms are discriminatory. This discrimination is not "directly related to carrier identity" in the sense that two carriers of like size will receive equal treatment, but instead is "indirectly related to carrier identity" -- and accordingly is inconsistent with Section 255.4 of the existing regulations -- since small carriers are severely disadvantaged relative to large carriers. The disadvantage lies in the greater propensity to have schedules highly placed in CRS displays enjoyed by large carriers. Competitively disadvantaged carriers include not only small US carriers but also all foreign carriers which, as a result of the economic regulation of international air transportation, are unavoidably "small" in the scale of operations to the United States.

The indirect nature of the discrimination arising from the use of On-line Preference Algorithms makes it no less egregious and no less in need of administrative remedy than the sorts of

direct and overt discrimination which motivated the implementation of the original CRS Rules now under review. British Airways is philosophically sympathetic to the argument that governments should minimize their intrusion into the operation of markets. However, having rightly concluded that regulation was necessary to stamp out the discriminatory practices which led to the promulgation of the original CRS rules, it would be inconsistent of the Department of Transportation to turn a blind eye to the discriminatory practices which still remain.

Using the same mathematics which are used to show the advantages of hubbing, it can be seen that a carrier bringing ten flights into a hub and taking ten flights out, will enjoy a greater than five fold increase in the number of on-line connections it can offer when compared to a carrier hubbing with just two flights in and two flights out. Indeed it is a square relationship such that in the case of the carrier with ten flights in and ten flights out, one hundred on-line connections can be offered, while in the case of the carrier with two flights in and the two flights out, a mere four on-line connections can be offered. Under the simple example, having five times more flights yields a twenty five fold advantage in on-line connections for the large carrier, even if the smaller carrier arranges schedules such that its two flights connect with eight flights of other airlines.

From a purely operational perspective, the large carrier will

enjoy economies associated with hubbing. It is not for British Airways to argue that inefficiencies should be introduced to redress this marketplace phenomenon. However, the legal use of On-line Preference Algorithms artificially, arbitrarily and needlessly amplifies this marketplace phenomenon, since not only does the large carrier enjoy the various efficiencies of a large hubbing operation, but through sheer mass alone enjoys a greater than proportionate advantage in schedule display position.

It may be argued that in the case of small US domestic carriers, opportunities exist for such carriers to enter into codesharing agreements, thereby alleviating at least a portion of the disadvantage they face arising from On-line Preference Algorithms. It cannot be argued that foreign carriers such as British Airways have even so much as this "second best" option since the Department of Transportation has determined that a foreign carrier can only offer codesharing service to points for which it already holds the underlying economic authority to serve.

Through Flight Numbering

The arguments of British Airways against the use of On-line Preference Algorithms in U.S. Computer Reservations Systems center on the belief that the current criteria used by U.S. CRSS is not truly objective and not truly unbiased. A similar lack of objectivity in the criteria used to display direct

flights, leads to similarly biased displays and similarly anti-competitive ramifications. Now that the opportunity to modify the CRS rules presents itself, the Department should promulgate a provision which would prohibit the display of any connection as a direct flight.

At present, all flight schedules involving one flight number are displayed as direct flights and as such enjoy preferential display over any connecting schedule involving more than one flight number. The definition of direct flight for the purposes of display criteria does not distinguish between those flight schedules with one flight number involving a stop but no change of aircraft, and those flight schedules with one flight number but instead involving one or more changes of aircraft. As a result, airlines have discovered that by merely giving a connecting flight schedule a single "through flight" number, an ordinary common garden variety connection can be elevated in display to the same category as a true direct flight involving no change of aircraft. There is not even a Department requirement that the connecting flight be held in the event that the first flight is delayed.

Further, in certain circumstances, the CRS operator may not be able to determine from the CRS display that the through flight numbered schedule does indeed involve a change of aircraft. The hapless consumer is left in blissful ignorance of the need to change aircraft until arrival at the connecting stop. If the first flight is late, the connecting flight may have

already left, leaving the passenger stranded when the passenger never even perceived there was the requirement to make a connection in the first place.

British Airways in particular is hurt by this deception as our two main U.S. competitors are the greatest practitioners of this art of illusion. Of the just over 1,800 separate flight numbers of one of our two main North Atlantic U.S. competitors, 500 or greater than one in four involve a change of aircraft. Of the just over 3,800 separate flight numbers of our other main North Atlantic U.S. competitor, 400 involve a change of aircraft. British Airways is led to understand that the practice of assigning connections through flight numbers has only recently come to the attention of some in the airline industry, leading to the expectation that this practice is to grow rather than recede.

Quite apart from the deception inherent in displaying a plain vanilla flavoured connection as a direct flight, the obscuring of information of value to a consumer in making a choice between air service products, leads to a lessening of competition. That present CRS rules do not prohibit the display of change of aircraft through flight numbered schedules as direct flights is bad enough, that they provide no brake on the proliferation of this practice is cause for great alarm.

The Department of Transportation has this opportunity to "right" this "wrong" before this deceptive practice leads to

widespread calls from consumers and their representatives for action. It should promulgate a provision which would permit only single plane service to be displayed in a CRS as a direct flight.

CRS Enhancements and Data

At present, US CRS Rules require that host carriers making data and enhancements available to one participating carrier, make such data and enhancements available to all participating carriers on a non-discriminatory basis. The Rules do not require host carriers to make available to any participating carrier on a non-discriminatory basis, any data and enhancements the host carrier has available to itself. British Airways would hope, and indeed believes, that the Department of Transportation if faced with a complaint would require a host carrier to provide all enhancements and data generated by its CRS to participating carriers on a non-discriminatory basis. British Airways asks that the Department promulgate Rules to this effect before there arises the need for such a complaint to be filed. Were host carriers not required to provide all CRS enhancements and data to all participating carriers on a non-discriminatory basis, then there would exist a basis for host carriers to exploit their dominant position in the CRS market. Such exploitation would make redundant all other attempts to safeguard the use of CRSs from anti-competitive practices.

Conclusion

In 1984, the Department of Transportation acted before any other regulatory authority to remove the most blatant forms of discrimination from Computer Reservations Systems. In providing for a review five years later, it was implicitly acknowledged at the time of adoption that perhaps not every form of abuse had been outlawed by the original rules and that certainly, the air transportation world would change in unforeseen ways. Five years later, it can be seen that while the original DOT CRS Rules were trailblazing in nature, events have occurred and practices have developed which leave the Rules in need of continuation and enhancement.

British Airways believes that a prohibition on the use of On-line Preference Algorithms is overdue. On-line Preference Algorithms are discriminatory. They favour large domestic carriers to the detriment of small domestic carriers and foreign carriers which, as an inevitable consequence of the economic regulation of international air transportation, are small in the scale of their operations to the United States. In addition, by compressing the landscape of subjective consumer preferences into an arbitrary average time penalty, On-line Preference Algorithms reduce the incentive of a carrier to disseminate information about the advantages of the products it offers. Consumer information is a basic requirement for competition and any device which operates to systematically

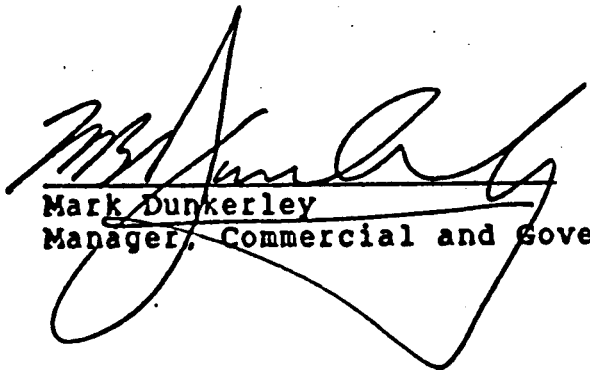
reduce the level of information reaching the consumer is anti-competitive.

British Airways requests that the Department outlaw the deceptive practice of listing connecting flights as direct flights by virtue of assigning the connecting flight a single flight number. Although it may not be widely recognised, present CRS Rules permit ordinary connecting schedules given a single "through" flight number by an airline to be listed as a direct flight. Since display position is crucial in the competition to sell tickets and since direct flights enjoy a higher display position than ordinary connections, airlines have used this gimmick to better their chances of selling a ticket. This practice is deceptive since not only is it likely that the passenger is left blissfully ignorant of the requirement to change aircraft on the through flight numbered schedule but also the passenger is not assured any service benefit which would warrant a through flight number connection being displayed as anything other than what it is -- a connection.

British Airways requests that the Department of Transportation promulgate a provision which would require a host carrier to make available to any participating carrier all CRS enhancements and data. Although British Airways believes that in the event of a complaint, the Department would act to promote this position, British Airways considers this a golden

opportunity for the Department to stay one step ahead of industry developments. We appreciate the opportunity to submit these comments and request issuance of an amended CRS Rule consistent with the arguments set forth above.

Respectfully Submitted

A large, stylized handwritten signature in black ink, appearing to read 'Mark Dunkerley', is written over the typed name and title.

Mark Dunkerley
Manager, Commercial and Government Affairs.

BRITISH AIRWAYS

Commercial & Government Affairs, N.A.
1850 K Street, NW
Suite 300
Washington, DC 20006
Tel: 202 331-9068

TESTIMONY OF
MARK DUNKERLEY
BRITISH AIRWAYS, COMMERCIAL AND GOVERNMENT AFFAIRS, NA

BEFORE THE
SENATE, COMMERCE, SCIENCE AND TRANSPORTATION COMMITTEE
SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM

JULY 18, 1990



British Airways Plc
Registered office:
Speedbird House,
Heathrow Airport (London)
Hounslow TW6 2JA
Registered in England No. 1177777

TESTIMONY OF

MARK DUNKERLEY

BRITISH AIRWAYS, COMMERCIAL AND GOVERNMENT AFFAIRS, NA

July 18, 1990

Good afternoon Mr. Chairman and members of this Subcommittee. On behalf of British Airways I would like to express our appreciation to the Subcommittee for taking the time to listen to the views of a foreign airline on visitor facilitation at US points of entry.

As the economic benefits of attracting visitors from overseas have been recognised by many nations, the tourism industry has become fiercely competitive. Fortunately, the US is blessed with having many wonderful attractions which ensure that foreign citizens will always want to visit the US for vacation, for business and to see friends and relatives. In the current competitive climate, however, no country can afford to rest on its laurels and still hope to maintain its market share of international tourism.

The inadequacy of federal inspection process imposed on visitors arriving in the US is a competitive weakness. As such, it must be addressed if the US is to make the most of its natural attractiveness as a destination for travelers from overseas. The impediments to the free flow of visitors into the United States too often leave a poor impression on travelers, and colours their view of the entire stay. With so many working so hard to leave the opposite impression, and with such significant economic benefits at stake, rectifying this blemish should be an important concern for Congress.

Despite the welcomed efforts in recent years of both the Immigration and Naturalization Service (INS) and the US Customs

Service, the US still lags far behind many other nations in making access to its tourism industry efficient and free of bureaucratic burden. A few examples serve as illustrations of the many short-falls in the current federal inspection process.

Bureaucratic Burden Beyond doubt, the visa waiver program is a move in the right direction. It does diminish the burden for some foreign citizens of having to obtain a visa before visiting the United States. However, the visa waiver program applies to only a select group of travelers who fit into a narrowly defined profile. The creation of this new category of visitor has swollen the already long list of passenger types, each facing different requirements for admission. The visa waiver program has, in practice, added to the confusion common amongst foreign citizens arriving in the US, amongst airlines which are responsible for assuring that each passenger complies with the proper requirements, and even amongst the inspectors who must determine whether a passenger fits within one category or another.

The level of confusion is such that British Airways feels compelled to show a 10 minute instructional video on US bound flights. The video explains which forms have to be filled out by which category of visitor as well as the other requirements imposed by the federal inspection agencies. Throughout the world, BA serves 75 countries and it is only on flights to the United States that we have felt the need to provide such instruction to our passengers.

Inefficiency To an international passenger, the measure of efficiency is the length of time it takes to clear through all inspection formalities. Today, passengers arriving in the United States endure unacceptable delays. This is not a local problem but an endemic problem faced by passengers travelling on any airline to the US, whether foreign or domestic.

Congress has expressed its view that 45 minutes is the maximum amount of time that any passenger, arriving in the United States on any flight, on any day of the year, should be detained by federal inspection formalities. At the behest of the United States, ICAO has adopted this standard as a worldwide Recommended Practice. Yet today, the US federal inspection agencies are far from delivering this level of service.

Too often, clearance time complaints are rebutted by the production of irrelevant statistics showing how, on average, passengers are cleared within the 45 minute standard. The clearance time standard is a maximum, not an average. To the passenger who has suffered a two and a half hour delay, the average provides little succor.

To add insult to injury, passengers are being taxed \$10 for this inadequate service. The charge is a tax because travelers from Canada, Mexico and the Caribbean are exempted from having to pay it. Consequently, those who do pay the charge subsidise the clearance of those who do not -- and that is a tax. As a tax, it violates the letter and the intent of many bilateral air services agreements. Further, there is no compelling rationale to suggest that passengers should have to pay anything at all for federal inspection. The benefits of inspecting international arriving passengers accrue to the general public. The costs of that inspection should, therefore, be borne by the general public. Above all, when few other nations are even levying a charge for inspection formalities, the US should not be levying this tax and yet providing less than adequate service.

Those whose interests lie in enhancing the competitiveness of the US as a tourism destination for foreign citizens cannot afford to ignore the need to rectify these short-falls. It would be wrong, however, to place all of the blame at the door of the federal inspection agencies. As I mentioned at the outset, these

agencies have come a long way over the past few years to becoming more oriented towards facilitation.

Instead, insufficient attention from Congress should also be recognised as having played a major role in allowing today's problems to emerge. In particular, there has not been the recognition on Capitol Hill, that the treatment meted out to arriving international passengers has had an impact on the competitiveness of the US tourism industry. The interest shown by this Subcommittee is, therefore, extremely timely.

In practical terms, several things need to be done.

1) The present exemption from the Customs and Immigration taxes enjoyed by travellers originating in Canada, Mexico and the Caribbean needs to be rescinded. The funds which would flow as a result of such a rescission are desperately needed to increase inspection resources. Furthermore, considerations of equity suggest that the burden of cross subsidisation be lifted from those unfortunate enough to be paying for the inspection of those who are presently exempted.

2) Throwing money at the problem, however, is at best a short term solution. Passengers not only want to see the money they have paid spent, they also want to see it spent effectively. As a preliminary matter, there needs to be improved accountability. The budgets of both INS and the US Customs service should show both revenue generation and expenditure by point of entry to the US, and by mode of entry. Staffing levels and performance, as measured by the percent of passengers cleared within 45 minutes, should be made public and monitored by Congress.

A longer term goal should be for Congress to merge the presently separate accounts in which the funds collected from passengers reside. Having the funds in one account would allow expenditures to be directed to the elements of the federal inspection process

which are in most need of financial support. In recent years, processing delays have been attributable largely to Customs. The Customs Service has rectified this problem by revamping its inspection methods. As part of this change, however, additional inspection responsibilities have been given to the Immigration Service. Consequently, today's delays are largely attributable to immigration processing. The structure of the revenue accounts, however, has not allowed for any revenues in the Customs Service account to be redirected for immigration processing. The net result is that delays continue.

3) Congress should make its recommendation of a maximum clearance time of 45 minutes a statutory obligation. As a statement of Congressional intent, the 45 minute clearance time standard unfortunately serves as only an embarrassing reminder of the level of service which should be provided. Instead, the 45 minute clearance time standard should serve as the point at which the conflicting goals of facilitation and enforcement meet. Failure to achieve the 45 minute clearance time standard should trigger the choice to be made between either increasing inspection resources or reducing the enforcement obligation facing the inspection agencies, or both. Without the weight of law to compel its implementation, it is doubtful whether the difficult but important decisions needed to achieve this level of service will ever be made.

We realise that the Congressional jurisdiction over the federal inspection agencies is spread over many Committees. To change the way in which the inspection of international arriving passengers is dealt with, therefore, becomes a difficult task. Nonetheless, it is desperately needed.

The spread of jurisdictional responsibilities over this one process, is itself in large part responsible for the inadequacy of the overall service being provided. With no single body charged with the oversight of the inspection process, it is the

norm for acute inspection problems to be addressed by sticking a series of local interest Band-Aids over the sore. Conveniently, the underlying illness is forgotten and left to propagate.

This hearing represents the first time that a Senate or House Committee has taken upon itself to hear how important the clearance of international arriving passengers is to the competitiveness of the United States tourism industry, how inadequate the clearance process is when viewed in its entirety, and what needs to be done.

It is the hope of foreign airlines such as British Airways, that this represents the beginning of systematic progress toward solving the facilitation related problems which today handicap the competitiveness of the US tourism industry. Thank you

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